R.J. Reynolds
Tobacco Company

S. R. MacLeod
Region Operations Manager
Buffalo #1600

May 9, 1997

TO: ALL REGION PERSONNEL

RE: *SALEM $0.30 TEAR TAPE PROGRAM*

Ladies & Gentlemen:

Beginning in July and continuing through November, the company will be defending Salem's volume at a PV rate of 33% discounted volume nationally in C-Gas on grid for Salem, via the above referenced program where possible.

To facilitate defending our Salem business, the company has made available Tear Tape Product with a set value of $0.30 off per pack. Our Region has specific allocations by Direct Account to support a percentage of C-Gas (independents & chains) within the Buffalo Region. Our objective is to incorporate as many of the C-Gas retail outlets where feasible via automatic Direct Account delivery on a monthly basis beginning in July.

To accomplish our objective, Region KAM's and AM's have submitted to the ROU those chains (C-Gas only) that have authorized this program. KAM's/AM's should be communicating specific details as necessary via the Task Request. RR's take appropriate action required as specified by responsible KAM/AM.

The ROU has identified independent C-Gas locations with a VAP supplier for the purpose of identifying potential C-Gas independent retail universe to execute our Salem Tear Tape program. ***The Nashua Division #1638 is not included as they are not on grid for Salem.*** Affected SR's will be receiving a detailed listing of stores with specifics of C-Gas retail locations that will automatically be receiving Salem Tear Tape product beginning in July.

Tear Tape product will consist of the following styles: Salem FF 85, LT 85, FF 100 and LT 100. Equal quantities of each of the four styles will/should be shipped to retail.

A 40 pack display/shipper (item #530123) will be shipped with the initial distribution to participating locations unless specified differently by KAM/AM. Display should be maintained ongoing for Salem presence for the balance of 1997. A temporary display payment of $10.00 per month will be available to help maintain the display. POQET/Laptop designation is: Sal Snipe Display Rate: $10.00/month. As information, the ROU will have direct accounts ship displays to participating accounts in July and again in October (1st month of each quarter). Throughout this program you have the ability to order replacement Salem 40 pack displays (item #530123) as necessary.

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Tear Tape product will have promotional UPC codes on the packages only and shipped in white cartons. As with all promotional product, tear tape will be in 6M cases. Each case will contain 30 white cartons. Product will be invoiced to direct accounts at standard price. SRs/KAMs/AMs will need to reimburse their retail accounts at a rate of $0.30 per pack on appropriate quantity of tear tape product received. Special payment code: Sal Snipe .30 C/G Rate: $0.30 should be utilized. Funding for this program will come from Base Accrual and Gap Defense dollars. (It is critical that appropriate system entries are made for proper accounting of theses funds).

Please note that ***not all*** C-Gas chains and independent retail outlets will be able to participate in the Salem Tear Tape program for numerous reasons. Therefore, for retail accounts which cannot utilize tear tape product, alternative methods must be planned to implement and display Salem product in accordance with our Price Gap Defense plan for divisions on grid for Salem.

Specific information relating to who will be participating in our Salem Tear Tape program will be the responsibility of KAMs/AMs/ SRs to properly advise RR's of appropriate action required on a store by store basis.

Should you have any questions, please contact me.

Sincerely,

Stephen

S.R. MacLeod
ROM/#1610
:etb

cc: W.J. Roth
F.V. Natale
J.A. Campbell

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